

**BLUE CRANE ROUTE MUNICIPALITY**

**FINANCIAL STATEMENTS**

**30 JUNE 2004**

## **BLUE CRANE ROUTE MUNICIPALITY**

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## **BLUE CRANE ROUTE MUNICIPALITY**

### **GENERAL INFORMATION**

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#### **MEMBERS OF BLUE CRANE ROUTE MUNICIPALITY**

Councillor MC Mjadu	Mayor
Councillor ME Doro	Deputy Mayor
Councillor JF Froehlich	
Councillor KC Brown	
Councillor WH Brown	
Councillor NO Memese	
Councillor VA Ngcipe	
Councillor G Fillis	
Councillor TJ Hermanus	
Councillor ST Mjekula	

#### **GRADING OF LOCAL AUTHORITY**

Grade 6

#### **AUDITORS**

Auditor General

#### **BANKERS**

ABSA Bank Limited

#### **REGISTERED OFFICE**

67 Nojoli Street	PO Box 21	Telephone : (042) 243 1333
Somerset East	Somerset East	Fax: (042) 243 1548
5850	5850	

#### **CHIEF EXECUTIVE OFFICER / MUNICIPAL MANAGER**

DO Claassen

#### **FINANCIAL MANAGER**

D Louw

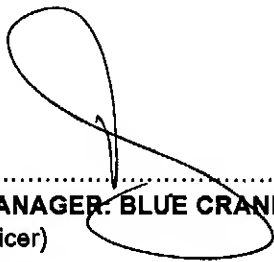
## BLUE CRANE ROUTE MUNICIPALITY

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### APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 8 to 26 were approved by the

Municipal Manager on 20 October 2004 and presented to and approved by Council  
on 20 October 2004



.....  
**MUNICIPAL MANAGER: BLUE CRANE ROUTE MUNICIPALITY**  
(Accounting Officer)



.....  
**FINANCIAL MANAGER: BLUE CRANE ROUTE MUNICIPALITY**

## **BLUE CRANE ROUTE MUNICIPALITY**

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### **FOREWORD**

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I have pleasure in presenting the Annual Financial Statements which are subject to audit, for the year ended 30 June 2004.

The major challenge to the Blue Crane Route Municipality is to meet the needs and requirements of those in the previously disadvantaged areas whilst at the same time ensuring that the infrastructure in the established areas is not neglected.

This I believe can only be achieved through hard work by Councillors and Officials, tolerance of our community and ensured payment of municipal services.

I am proud to report that we have managed to reverse the trend in negative operating results by showing a net surplus for the year. This has been achieved despite the difficult economic climate in the province and the country. It is our objective and we remain committed to achieve a level of service delivery which is satisfactory to all our citizens and at the same time to ensure financial viability.

I wish to express my appreciation to the Councillors, the Municipal Manager and his staff for their support, co-operation and hard work during the past year.



.....  
**M. C. MJADU**

**MAYOR: BLUE CRANE ROUTE MUNICIPALITY**

**BLUE CRANE ROUTE MUNICIPALITY**  
**ACCOUNTING OFFICER'S REPORT**

**1. OPERATING RESULTS**

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. the overall operating results for the year ended 30 June 2004 are as follows:

	Actual 2004 R	Budget 2004 R	Variance Actual - Budget %	Actual 2003 R	Budget 2003 R	Variance Actual - Budget %
<b>Income:</b>						
Opening surplus/(deficit)	(12,467,351)			(11,296,583)		
Operating Income for the year	43,826,363	43,700,000	-0.29	36,465,358	36,144,352	0.89
	31,359,012	43,700,000		25,168,775	36,144,352	
<b>Expenditure</b>						
Operating expenditure for the year	(42,270,763)	(43,700,000)	3.27	(37,638,125)	(36,144,352)	4.13
Contributions to approved funds						
Sundry Transfers	3,283,680			-		
Closing surplus/(deficit)	(7,628,071)			(12,467,351)		
	-	-		-	-	

Reasons for significant variances  
Variances considered insignificant

**1.1 Rates and General Services**

	Actual 2004 R	Budget 2004 R	Variance Actual - Budget %	Actual 2003 R	Budget 2003 R	Variance Actual - Budget %
Income	20,010,035	19,442,950	-2.92	15,279,511	14,994,192	1.90
Expenditure	(25,231,790)	(26,225,911)	3.79	(22,022,286)	(22,204,043)	0.82
Surplus/(deficit)	(5,221,755)	(6,782,961)		(6,742,775)	(7,209,851)	
Surplus/(deficit) as % of total Income	12	16		18	20	

Reasons for significant variances  
Variances considered insignificant

**BLUE CRANE ROUTE MUNICIPALITY**  
**ACCOUNTING OFFICER'S REPORT (Continued)**

**1.2 Housing Services**

	Actual 2004 R	Budget 2004 R	Variance Actual - Budget %	Actual 2003 R	Budget 2003 R	Variance Actual - Budget %
Income	-	-	-	-	-	-
Expenditure	-	-	-	-	-	-
Surplus/(deficit)	-	-	-	-	-	-
Surplus/(deficit) as % of total income	-	-	-	-	-	-

**1.2 Trading Services**

The following is a summary of the operating results of the local authority's Trading Services:

**Electricity Service**

	Actual 2004 R	Budget 2004 R	Variance Actual - Budget %	Actual 2003 R	Budget 2003 R	Variance Actual - Budget %
Income	19,295,545	19,302,520	0.04	17,456,935	16,432,810	6.23
Expenditure	(15,176,908)	(15,257,878)	-0.53	(13,423,643)	(12,055,897)	11.35
Surplus/(deficit)	4,118,637	4,044,642		4,033,292	4,376,913	
Surplus/(deficit) as % total income	9	9		11	12	

Reasons for significant variances  
 Variances considered insignificant

**Water Service**

	Actual 2004 R	Budget 2004 R	Variance Actual - Budget %	Actual 2003 R	Budget 2003 R	Variance Actual - Budget %
Income	4,520,783	4,954,530	8.75	3,728,911	4,717,350	20.95
Expenditure	(1,862,065)	(2,216,211)	15.98	(1,961,231)	(1,884,415)	4.08
Surplus/(deficit)	2,658,718	2,738,319		1,767,680	2,832,935	
Surplus/(deficit) as % total income	6	6		5	8	

Reasons for significant variances  
 The difference between actual and budgeted expenditure can be attributed to:  
 Salaries, wages & allowances - vacancies budgeted for were not filled  
 Bulk water purchases was also less than the budgeted amount.

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**BLUE CRANE ROUTE MUNICIPALITY**  
**ACCOUNTING OFFICER'S REPORT (Continued)**

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**2. CAPITAL EXPENDITURE AND FINANCING**

The expenditure on fixed assets during the year amounted to R2,062,033 (R 3,947,069 in 2003)

A complete analysis of capital expenditure (budgeted and actual) per department, classification or service is included in appendix C. More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

**3. EXTERNAL LOANS, INVESTMENTS AND CASH**

External loans outstanding on 30 June 2004 amounted to R 15,539,949 (15,646,211 in 2003) as set out in appendix B.

Long term investments at 30 June 2004 amounted to R1,288,614 (R1,288,614 in 2003)

Short term investments and cash on hand at 30 June 2004 amounted to R499,832 (R 4,089,935 in 2003).

More information regarding loans and investments are disclosed in the notes (4 and 7 ) and appendix B to the financial statements.

**4. FUNDS AND RESERVES**

More information regarding funds and reserves are disclosed in the notes (1-3) and appendix A to the financial statements.



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**BLUE CRANE ROUTE MUNICIPALITY**  
**ACCOUNTING OFFICER'S REPORT (Continued)**

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**5. EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, Councillors and to the municipal staff for their assistance and support during the year.

.....  
**MUNICIPAL MANAGER: BLUE CRANE ROUTE MUNICIPALITY**  
(Accounting Officer)



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## **BLUE CRANE ROUTE MUNICIPALITY**

### **ACCOUNTING POLICIES**

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#### **1. Basis of preparation**

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants and its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (2nd edition - January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as stated:
  - \* Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received, such as traffic fines and certain licences.
  - \* Expenditure is accrued in the year it is incurred.

#### **2. Consolidation**

The balance sheet includes Rates and General Services, Trading Services and the different funds and reserves. All inter-departmental charges are set off against each other with the exception of assessment rates, refuse removal, sewerage, electricity and water which are treated as income and expenditure in the respective departments.

#### **3. Fixed assets**

- 3.1 Fixed assets are stated at historical cost or at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated useful life as determined by the Treasurer.

- 3.2 Depreciation

The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the financial statements is tantamount to a provision for depreciation, however certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

- \* Appropriations from operating income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.

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## **BLUE CRANE ROUTE MUNICIPALITY**

### **ACCOUNTING POLICIES (continued)**

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- \* Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and other Capital Receipts" account.

- 3.3 All net proceeds from the sale of fixed property are credited to the Revolving Fund.
- 3.4 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

#### **4. Inventory**

Inventory is valued at the lower of cost or net realisable value.

#### **5. Funds and reserves**

##### **5.1 Revolving fund**

The fund requires a minimum contribution of 7.5 % of the product of the assessment rates that were levied for the immediately preceding financial year. It is not required from Council to contribute an amount that is 20% more than the amount required to be contributed in the immediately preceding financial year.

Net proceeds from the sale of fixed property are invested in the Revolving Fund. Funds accumulated in the Revolving Fund are utilised for the purpose of providing advances to borrowing services and to finance the acquisition or upgrading of land or fixed property.

##### **5.2 Other funds and reserves**

Other funds and reserves, which are disclosed in the notes (1 - 3) and appendix A to the financial statements, are built up either by appropriations made on an annual basis from the operating account to the relevant funds and reserves or from contributions received from the public and the State with the objective of providing community facilities and funds to finance bad debts.

#### **6. Provisions**

Provisions are created for liabilities or contingencies that are known at the date of the balance sheet but for which the amounts involved cannot be determined with substantial accuracy.

#### **7. Retirement benefits**

The Council and its employees contribute to various pension, provident and retirement funds. The larger funds include the SAMWU National Provident Fund, the Cape Joint Retirement Fund and the SALA Pension Fund.

## **BLUE CRANE ROUTE MUNICIPALITY**

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### **ACCOUNTING POLICIES (continued)**

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The retirement benefits are calculated in accordance with the rules of the respective funds. Current contributions by the Council are charged against operating income at the rate of a fixed percentage of the basic salary paid to employees.

Full actuarial valuations are performed at least every three years.

#### **8. Surpluses and deficits**

Any surpluses and deficits arising from the operation of the Electricity and Water Services are transferred to Rates and General Services.

#### **9. Treatment of administration and other overhead expenses**

The costs of internal support services are transferred to the different services in accordance with the IMTA's Report on Accounting for Support Services (June 1990).

#### **10. Leased assets**

Fixed assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

#### **11. Investments**

Investments are disclosed at the lower of cost or market value if a permanent decline in value has occurred and are invested on such conditions as the Minister may approve.

#### **12. Deferred charges**

The balance outstanding of the costs incurred in raising loans on the capital market are recovered from operating income over the periods of the various loans involved.

#### **13. Income recognition**

##### **13.1 Electricity and water billings**

All meters are read and billed monthly. Income is recognised when meters are read and the monthly levies debited to the respective consumer account. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month they are indeed read. With regard to prepayment electricity purchases, income is recognised at the date of purchase.

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## **BLUE CRANE ROUTE MUNICIPALITY**

### **ACCOUNTING POLICIES (continued)**

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#### **13.2 Assessment rates**

The local authority applies a uniform system of rating. In terms of this system the assessment rates are levied on the land value of property and improvements, at the same rate. Rebates of 20% and 30% are granted on state-owned properties and to owners of land in Clevedon respectively. Income is recognised when such levies are raised and debited to the respective ratepayer account.

#### **13.3 Other income**

Income from services such as refuse removal and sewerage, recovered by way of debtors, is recognised when such levies are raised and debited against the respective consumer account. Income from other sources is recognised when paid.

#### **14.Provision for bad debts**

##### **14.1 Trade Debtors**

A provision for bad debts has been provided for at year end for all trade balances where recoverability is in doubt.

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**BLUE CRANE ROUTE MUNICIPALITY**  
**BALANCE SHEET AT 30 JUNE 2004**

	Note	2004 R	2003 R
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES		6,184,073	9,067,423
Statutory funds	1	6,172,073	9,055,423
Reserves	2	12,000	12,000
ACCUMULATED DEFICIT		(7,628,071) (1,443,998)	(12,467,351) (3,399,928)
TRUST FUNDS	3	2,161,914	6,431,503
LONG TERM LIABILITIES	4	15,539,950	15,539,950
CONSUMER DEPOSITS: SERVICES	5	505,251	426,273
		<u>16,763,117</u>	<u>18,997,798</u>
<b>EMPLOYMENT OF CAPITAL</b>			
FIXED ASSETS	6	11,739,158	11,845,420
INVESTMENTS	7	1,288,614	1,288,614
LONG-TERM DEBTORS	8	130,234	263,177
		<u>13,158,006</u>	<u>13,397,211</u>
NET CURRENT LIABILITIES		3,605,111	5,600,587
CURRENT ASSETS		14,696,321	17,206,458
Accounts receivable	9	13,550,241	12,452,976
Cash on hand		100,563	3,098,850
Inventory	10	575,619	618,763
Short-term investments	7	399,269	990,085
Short-term portion of long-term debtors		70,629	45,784
CURRENT LIABILITIES		11,091,210	11,605,871
Accounts payable	11	4,381,809	6,426,066
Bank overdraft		3,587,197	2,648,456
Provisions	12	3,122,204	2,525,088
Short-term portion of long-term liabilities	4	-	106,261
		<u>16,763,117</u>	<u>18,997,798</u>

.....  
**CERTIFIED AS CORRECT**  
(Municipal Manager: Blue Crane Route Municipality)

# **BLUE CRANE ROUTE MUNICIPALITY** **INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2004**

	2003 Actual Income	2003 Actual expenditure	2003 surplus/ (deficit)	2004 Actual income	2004 Actual expenditure	2004 surplus/ (deficit)	2004 Budgeted surplus/ (deficit)
	R	R	R	R	R	R	R
<b>RATES AND GENERAL SERVICES</b>	15,279,511	22,022,286	(6,742,775)	20,010,035	25,231,790	(5,221,755)	(6,782,961)
Community services	10,384,319	14,730,755	(4,346,436)	13,895,364	19,346,421	(5,451,057)	(5,265,461)
Subsidised services	38,624	1,616,624	(1,578,000)	45,217	1,740,033	(1,694,816)	(2,953,299)
Economic services	4,856,568	3,882,121	974,447	6,069,454	4,145,338	1,924,118	1,148,801
<b>HOUSING SERVICES</b>	-	228,966	(228,966)	-	-	-	-
<b>TRADING SERVICES</b>	21,185,846	15,384,874	5,800,973	23,816,328	17,038,973	6,777,355	6,782,961
<b>TOTAL</b>	<u>36,465,358</u>	<u>37,636,125</u>	<u>(1,170,768)</u>	<u>43,826,363</u>	<u>42,270,763</u>	<u>1,555,600</u>	<u>1,555,600</u>
Appropriations for the year: note 17						3,283,680	
Prior year adjustments						4,839,280	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>			<u>(1,170,768)</u>			(12,467,351)	
Accumulated (deficit) beginning of the year			(11,296,583)			(7,628,071)	
<b>ACCUMULATED DEFICIT END OF THE YEAR</b>			<u>(12,467,351)</u>				

**BLUE CRANE ROUTE MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2004**

	NOTES	2004 R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		(2,459,550)
Cash utilised in operations	18	(14,939,697)
Investment Income		48,398
Increase in working capital	19	(2,314,186)
		(17,207,485)
Less: External interest paid	16	(2,841,629)
<b>Cash utilised in operations</b>		(19,849,114)
Net proceeds on disposal of fixed assets		44,123
Cash contributions from the public and the State		17,345,441
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		
Investment in fixed assets	6	(2,062,033)
<b>NETT CASH FLOW</b>		<u>(4,521,583)</u>
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>		
(Decrease) in long-term liabilities	20	(106,261)
(Increase)/ decrease in cash on hand	21	4,627,844
Decrease in external cash investments		-
<b>NETT CASH UTILISED</b>		<u>4,521,583</u>

2003 R
5,856,754
(3,415,966)
12,271
(2,048,314)
(5,450,038)
(2,768,806)
(8,238,847)
14,095,001
(3,947,069)
1,609,685
(200,869)
(1,708,818)
(1,908,885)



# BLUE CRANE ROUTE MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004

	2004 R	2003 R
<b>1. STATUTORY FUNDS</b>		
Revolving Fund	5,740,102	5,497,487
Housing Development Fund	431,971	290,544
Loan Redemption Fund	-	3,267,382
	<u>6,172,073</u>	<u>9,055,423</u>
(Refer to Appendix A for more detail)		
<b>2. RESERVES</b>		
Game Reserve	12,000	12,000
	<u>12,000</u>	<u>12,000</u>
<b>3. TRUST FUNDS</b>		
Dr WH Craib Fund	20,769	11,985
Blue Crane Development Forum Fund	-	941
Integrated Development Plan Fund	4,472	66,513
Skills Development Fund	29,563	29,563
Transitional Grant Fund	-	49,197
Zoning Map Fund	43,398	40,645
Pearston Small Farmers Association Fund	4,043	4,043
Construction of Sewer Reticulation Fund	-	8,218
313 Houses Fund	(283,232)	1,148,210
176 Houses Fund	-	3,168
1004 Houses Fund	-	45,521
8th Avenue Furrow Fund	-	346,879
Pearston Hall Refurbishment Fund	-	47,376
300 Houses Fund	620,070	2,116,808
Management Support Programme Fund	152,109	611,759
Additional Drug Allocation	636,935	636,935
Led Zama Trust	63,158	24,272
Water Treatment Plant	734,289	1,169,704
Electricity - Area Lighting	-	6,766
Environmental Impact Study Fund	63,000	63,000
Spatial Development Framework	73,340	-
	<u>2,161,914</u>	<u>6,431,503</u>
<u>Explanatory notes (Only those funds where it is considered necessary to elaborate on above)</u>		
Housing Funds - Local government funding to provide low cost housing for the community		
- The current year's over expenditure on the 313 houses fund is only temporary and reverse's in the following financial year.		
( Refer to Appendix A for more detail)		

# **BLUE CRANE ROUTE MUNICIPALITY**

## **NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004 (Continued)**

	<b>2004 R</b>	<b>2003 R</b>
<b>4. LONG-TERM LIABILITIES</b>		
Annuity loans	15,539,950	15,646,211
	<u>15,539,950</u>	<u>15,646,211</u>
Less: Short-term portion transferred to current liabilities	-	(106,261)
	<u>15,539,950</u>	<u>15,539,950</u>
 (Refer to Appendix B for more detail)		
 <b>ANNUITY LOANS</b>		
Carry interest at rates varying between 14,25% and 17,00% per annum and will be fully redeemed in 2016.		
 The annuity loan of R15,532,314 is secured by a Promissory Note (Certificate Number TR1652). The investment has a guaranteed amount of R12,000,000 on the assumption that it is held to maturity. The investment matures in 2014.		
<b>5. CONSUMER DEPOSITS:SERVICES</b>		
Electricity and Water	505,251	426,273
	<u>505,251</u>	<u>426,273</u>
<b>6. FIXED ASSETS</b>		
Fixed assets at the beginning of the year	89,597,078	85,650,009
Capital expenditure during the year	2,062,033	3,947,069
Less: Assets written off,transferred or disposed during the year	-	-
<b>Total fixed assets</b>	<u>91,659,111</u>	<u>89,597,078</u>
Less: Loans redeemed and other capital receipts	<u>(79,919,953)</u>	<u>(77,751,658)</u>
	<u>11,739,158</u>	<u>11,845,420</u>
<b>7. INVESTMENTS</b>		
<b>Unlisted</b>		
Long-term deposits	1,288,614	1,288,614
Management's valuation of long-term deposits	<u>1,683,248</u>	<u>1,683,248</u>
 Short-term deposits	399,269	990,085
Management's valuation of unlisted investments	<u>399,269</u>	<u>990,085</u>
 Profit/(loss) on investment transactions	<u>-</u>	<u>-</u>
 No investments have been written off during the year. Long-term deposits have been pledged as security for funding facilities of the council. The investment has a guaranteed amount of R12,000,000 on the assumption that it is held to maturity. The investment matures in 2014.		

# BLUE CRANE ROUTE MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004 (Continued)

	2004 R	2003 R
<b>8. LONG-TERM DEBTORS</b>		
Other debtors	200,863	308,961
Less: Short-term portion transferred to current assets	(70,629)	(45,784)
	<u>130,234</u>	<u>263,177</u>
<b>9. ACCOUNTS RECEIVABLE</b>		
Trade Debtors	29,496,693	28,688,481
Less: Provision for bad debts	(16,345,858)	(16,345,858)
	<u>13,150,835</u>	<u>12,342,623</u>
Other Debtors	399,408	110,353
	<u>13,550,241</u>	<u>12,452,976</u>
<b>10. INVENTORY</b>		
Inventory represents consumable stores, raw materials, work-in progress and finished goods. Where necessary specific provision is made for obsolete inventory.		
	<u>575,619</u>	<u>618,763</u>
<b>11. ACCOUNTS PAYABLE</b>		
Trade Creditors	4,381,809	6,252,115
Other Creditors		173,950
	<u>4,381,809</u>	<u>6,426,066</u>
<b>12. PROVISIONS</b>		
Audit fees	1,314,804	1,002,757
Leave pay	1,807,400	1,522,331
	<u>3,122,204</u>	<u>2,525,088</u>
<b>13. ASSESSMENT RATES</b>		
Site valuations as at 1 July: Residential, commercial, state and municipal	270,100,020	231,658,150
Actual income	<u>2,834,557</u>	<u>2,646,423</u>
The last general valuation came into effect on 1 July 2001.		
<b>14. COUNCILLOR'S REMUNERATION</b>		
Mayor's allowance	180,181	166,000
Deputy Mayor's allowance	40,431	37,592
Councillor's allowances	320,988	300,732
	<u>541,600</u>	<u>504,324</u>
<b>15. AUDITOR'S REMUNERATION</b>		
Audit fees - current year provision	442,622	361,443
	<u>442,622</u>	<u>361,443</u>

**BLUE CRANE ROUTE MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004 (Continued)**

	<b>2004 R</b>	<b>2003 R</b>
<b>16. FINANCE TRANSACTIONS</b>		
Total external interest earned or paid:		
- Interest earned	<u>33,862</u>	<u>-</u>
- Interest paid	<u>2,641,629</u>	<u>2,788,809</u>
Capital charges debited to operating account:		
- Interest paid on external loans	2,641,629	2,788,809
- Interest paid on internal loans		-
- Redemption of external loans	106,262	200,869
- Redemption of internal loans		-
	<u>2,747,891</u>	<u>2,989,678</u>
<b>17. APPROPRIATIONS</b>		
<b>Appropriation account</b>		
Accumulated (deficit) / at the beginning of the year	(12,467,351)	(11,296,583)
Operating surplus/ (deficit) for the year	1,555,600	(1,170,768)
Appropriations for the year:		
- Prior year adjustments	<u>3,283,680</u>	<u>-</u>
	<u>(7,628,071)</u>	<u>(12,467,351)</u>
Note: Prior year adjustments consist mainly of the write off of the loan redemption account amounting to R3,267,381.		
<b>17. APPROPRIATIONS (continued)</b>		
<b>Operating account</b>		
Capital expenditure	399,255	70,501
Contributions to:		
- Revolving Fund	198,482	206,058
- Loan Redemption Fund	<u>-</u>	<u>1,057,478</u>
	<u>597,737</u>	<u>1,334,037</u>

**BLUE CRANE ROUTE MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004 (Continued)**

	<b>2004 R</b>	<b>2003 R</b>
<b>18. CASH UTILISED IN OPERATIONS</b>		
(Deficit) / Surplus for the year	1,555,600	(1,170,768)
Adjustments in respect of:		
- Previous years' operating transactions	16,299	-
Appropriations charged against Income:	597,737	1,334,037
- Fixed assets	399,255	70,501
- Revolving Fund	198,482	206,058
- Loan Redemption Fund	-	1,057,478
Investment income (operating account)	(33,862)	-
Capital charges debited to operating account	2,747,891	2,989,678
Grants and subsidies received from the State	(9,112,983)	(5,099,671)
Non-operating expenditure debited to funds and reserves	(10,710,379)	(1,469,272)
	<u>(14,939,697)</u>	<u>(3,415,995)</u>
<b>19. DECREASE/(INCREASE) IN WORKING CAPITAL</b>		
(Increase) / decrease in accounts receivable, long-term debtors	(989,167)	(2,432,822)
Increase in accounts payable, consumer deposits	(1,965,279)	1,503
(Increase) in inventory	43,144	(64,271)
Increase in provisions	597,116	449,276
	<u>(2,314,186)</u>	<u>(2,046,314)</u>
<b>20. (DECREASE)/ INCREASE IN LONG-TERM LIABILITIES</b>		
Loans raised	-	-
Loans repaid	(106,261)	(200,869)
	<u>(106,261)</u>	<u>(200,869)</u>
<b>21. DECREASE / (INCREASE) IN CASH ON HAND</b>		
Cash balance at the beginning of the year	1,540,479	(168,337)
Less: Cash balance at the end of the year	(3,087,365)	1,540,479
	<u>4,627,844</u>	<u>(1,708,816)</u>
<b>22. DECREASE / (INCREASE) IN EXTERNAL CASH INVESTMENTS</b>		
Cash balance at the beginning of the year	1,288,614	1,288,614
Less: Cash balance at the end of the year	(1,288,614)	(1,288,614)
	<u>-</u>	<u>-</u>
<b>23. RETIREMENT BENEFITS</b>		
Somerset East Transitional Local Council and its employees contribute to various pension, provident and retirement funds.		
The larger funds include the SAMWU National Provident Fund and the Cape Joint Retirement Fund.		

**BLUE CRANE ROUTE MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004 (Continued)**

The SAMWU National Provident Fund was fully funded as at the last actuarial valuation on 30 June 2001, which was conducted by Eric Potgieter of Fifth Quadrant Actuaries and Consultants (Pty) Ltd.

The Cape Joint Retirement Fund was fully funded as at the last actuarial valuation on 1 July 2001, which was conducted by David Klug of Momentum Life Limited.

**24. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS**

None

**25. CAPITAL COMMITMENTS**

None

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BLUE CRANE ROUTE MUNICIPALITY

STATUTORY FUNDS, RESERVES AND TRUST FUNDS

	Balance at 30 June 2005 R	Contributions during year R	Interest on Investments R	Other Income R	Written off R	Operating expenditure during year R	Capital expenditure during year R	Balance at 30 June 2004 R
<b>STATUTORY FUNDS</b>								
Revolving Fund	5,497,497	198,482		44,123				5,740,102
Housing Development Fund	290,544	141,427			(3,267,382)			431,971
Loan Redemption Fund	3,267,382	-						-
	<u>9,055,423</u>	<u>339,909</u>	<u>-</u>	<u>44,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,172,073</u>
<b>RESERVES</b>								
Game Reserve	12,000	-	-	-	-	-	-	12,000
	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,000</u>
<b>TRUST FUNDS</b>								
Dr WH Craib Fund	11,085		9,784		941	1,000		20,769
Blue Crane Development Forum Fund	841							-
Integrated Development Plan Fund	66,513	61,000				123,041		4,472
Skills Development Fund	29,363							29,563
Transitional Grant Fund	49,197						49,197	-
Zoning Map Fund	40,845		2,753				8,218	43,398
Construction of Sewer Retention Fund	8,218							-
Pearst Small Farmers Association	4,043							4,043
313 Houses Fund	1,746,270	3,461,631			3,168	4,893,073		(283,232)
176 Houses Fund	3,168				2,945	42,576		-
1004 Houses Fund	45,521	92,895			47,376		439,774	-
8th Avenue Furrow Fund	346,879							-
Pearston Hall Refurbishment Fund	17,276							-
300 Houses Fund	2,116,808	3,416,486				4,913,224		620,070
MSP Fund	611,759	125,000				584,650		152,109
Additional Drug Allocation	638,835							638,935
Led Zama Fund	77,272	250,000				211,114		63,158
Water Treatment Plant	1,169,704	150,000			6,766	272	585,143	734,289
Area Lighting Projects	6,766							-
Environmental Impact Study Fund	63,000	95,000				21,660		63,000
Spatial Development Framework								73,340
	<u>6,431,803</u>	<u>7,652,012</u>	<u>12,537</u>	<u>-</u>	<u>61,196</u>	<u>10,790,610</u>	<u>1,082,332</u>	<u>2,161,914</u>

APPENDIX A

# BLUE CRANE ROUTE MUNICIPALITY

## EXTERNAL LOANS AND INTERNAL ADVANCES

				Balance at 30 June 2003 R	Received during the year R	Redeemed/ written off during year R	Balance at 30 June 2004 R
<b>EXTERNAL LOANS</b>							
<b>Annuity loans</b>							
Development Bank of Southern Africa Wesbank Infrastructure Finance Corporation limited	Interest Rate	Redeemable	2014 2004 2004	11,739,159			11,739,159
				(38,262)		(38,262)	-
				(67,999)		(67,999)	-
				11,845,420	-	(106,261)	11,739,159
<b>INTERNAL LOANS</b>							
<b>INTERNAL ADVANCES</b>							
<b>Outstanding advances to borrowing services</b>							
Development Bank of Southern Africa (Capitalised Interest)				3,800,790			3,800,790
				(15,538,210)		(106,261)	15,538,949
Revolving Fund							-
							-
Outstanding advances to borrowing services				8,546,896	1,212,980	1,493,999	8,546,896
				8,827,715	1,212,980	1,493,999	8,546,896
				8,827,715			

APPENDIX B



## ANALYSIS OF FIXED ASSETS

## APPENDIX C

## BLUE CRANE ROUTE MUNICIPALITY

### ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2004

	2004 Actual R	2004 Budget R
<b>INCOME</b>		
Grants and Subsidies	9,112,983	8,881,450
Operating income	34,713,380	38,808,550
Assessment rates	2,834,557	3,035,650
Sale of electricity	19,295,545	18,764,720
Sale of water	4,520,783	4,842,780
Other service charges	8,062,495	10,165,400
<b>Total income</b>	<b>43,826,363</b>	<b>43,700,000</b>
<b>EXPENDITURE</b>		
Salaries, wages and allowances	19,597,799	22,886,558
General expenditure & bulk purchases	16,111,953	15,238,448
Repairs and maintenance	3,577,965	3,408,171
Capital charges	2,747,891	3,959,982
Contributions to fixed assets	399,255	927,408
Contributions to funds	719,773	455,310
<b>Gross expenditure</b>	<b>43,154,637</b>	<b>46,885,877</b>
Less: Amounts charged out	883,874	3,185,877
<b>Nett expenditure</b>	<b>42,270,763</b>	<b>43,700,000</b>

APPENDIX D

BLUE CRANE ROUTE MUNICIPALITY

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

	2003 Actual income	2003 Actual expenditure	2003 Surplus/ (deficit)	2004 Actual income	2004 Actual expenditure	2004 Surplus/ (deficit)	2004 Expected income surplus
	R	R	R	R	R	R	R
	15,279,511	22,022,286	(6,742,775)	20,010,335	25,231,790	(5,221,755)	(5,282,861)
	10,384,319	16,523,541	(6,139,222)	13,895,364	18,346,421	(4,451,057)	(4,530,445)
RATES AND GENERAL SERVICES							
Community services							
Assessment rates	2,848,423		2,848,423	2,834,557		2,834,557	2,841,200
Beerhook and nature reserve	(443,535)	535,530	(979,065)	125,539	521,243	(395,705)	(565,415)
Clinics	(252,537)	2,063,566	(2,316,103)	2,732,578	2,550,745	181,834	736,379
Commonage and pound	(197,757)	241,200	(438,957)	88,158	315,726	(227,568)	(245,901)
Corporate Services	(1,965,394)	1,965,394		500,132	2,243,821	(1,743,689)	(1,652,317)
Council's general expenses	(1,052,523)	3,714,473	(4,766,996)		1,711,518	(4,766,996)	(3,361,995)
Financial Services	(283,131)	370,846	(653,977)	6,028,179	4,486,482	1,538,997	2,389,535
Housing administration	(370,846)	488,682	(859,528)		456,548	(488,682)	(456,548)
Properties and leasing	(323,121)	488,682	(811,803)	113,599	597,900	(484,301)	(1,103,221)
Public works	(2,551,070)	3,211,237	(660,167)	405,874	3,519,853	(3,113,979)	(3,191,422)
Municipal manager	(1,033,356)	1,033,356		633,185	1,610,988	(977,803)	(1,003,395)
Traffic	42,264		42,264		539,293	(497,029)	162,473
Stores	(76,220)	541,803	(618,023)	159,954	252,898	(94,282)	(162,115)
Workshop	(288,441)	501,051	(789,492)	274,908	968,800	(693,892)	(715,405)
Subsidised services	(1,578,000)	1,616,624	(38,624)	46,217	1,740,833	(1,694,616)	(2,000,295)
Cemeteries	(51,318)	76,702	(25,384)	29,100	90,909	(61,809)	(132,300)
Fire brigade	(79,397)	83,457	(4,060)	2,583	83,650	(81,067)	(111,572)
Libraries	(775,673)	784,824	(9,151)	13,554	814,001	(800,446)	(804,836)
Parks and recreation	(571,841)	571,841			671,473	(671,473)	(1,501,143)
Economic services	974,447	3,982,121	3,007,674	6,069,454	4,145,336	1,924,118	1,948,204
Refuse removal services	544,980	1,868,228	1,323,248	3,236,569	2,081,970	1,154,599	17,200
Sewerage and sanitation services	429,487	1,983,893	1,554,406	2,830,885	2,083,398	747,487	1,381,308
HOUSING SERVICES							
Selling and letting schemes		228,966	(228,966)				
TRADING SERVICES							
Electricity supply	5,800,873	15,384,874	(9,584,001)	23,816,328	17,838,873	6,977,455	6,782,287
Water supply	4,033,293	13,423,643	(9,390,350)	19,285,545	15,176,508	4,109,037	4,044,912
Water supply	1,767,680	1,981,231	(213,551)	4,520,783	1,892,085	2,628,698	2,538,518
TOTAL							
		37,608,125	(1,170,788)	43,828,363	42,278,763	1,555,800	
Appropriations for the year:							
Adjustments i.r.o. previous years						3,283,680	
NET SURPLUS/(DEFICIT) FOR THE YEAR			(1,170,788)			4,839,280	
Accumulated (deficit) beginning of the year			(11,298,583)			(12,467,351)	
ACCUMULATED DEFICIT END OF THE YEAR			(12,467,351)			(7,628,071)	

APPENDIX E

## **APPENDIX F**

### **STATISTICAL INFORMATION**

#### **A) General Statistics**

(i)	Population	34,357
(ii)	Valuation of taxable property	231,304,375
(iii)	Valuation of non taxable property	38,795,645
(iv)	Date of valuation	2001
(v)	Valuation of residential property	150,021,619
(vi)	Valuation of commercial property	3,223,210
(vii)	Number of residential properties	7,128
(viii)	Number of commercial properties	10
(ix)	Assessment rates: Cents in the rand	0.09305
(x)	Assessment rates: Cents in the rand	1.3294
(xi)	Number of employees	250

#### **B) Electricity Statistics**

(i)	Units bought/generated	54,778,263
(ii)	Units sold	51,906,802
(iii)	Units lost in distribution	2,871,461
(iv)	Units lost in distribution (%)	5.24%

#### **C) Water Statistics**

(i)	Units bought/generated	1,247,512
(ii)	Units sold	1,208,230
(iii)	Units lost in distribution	39,282
(iv)	Units lost in distribution (%)	3.15%